

LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Scott County Telephone Company (the Company) complies with applicable service quality standards and consumer protection rules as required by the Arkansas Public Service Commission and the Federal Communications Commission.

The rates, terms, and conditions under which the Company operates are outlined in its Local Exchange Tariff, which is approved by the state commission. The Company's tariff contains provisions regarding its customer service and protection practices, including resolving disputes with the Company, applying for service, the classification of business and residential rates, deposits, billing and payment for service, refusal, disconnection and cancellation of service. The tariff is available for customer review in the Business Office, as requested. Rates and terms of service are disclosed to customers upon application for service both verbally and in writing as part of a packet of information for new customers.

Service quality standards are established by the state commission and the Company consistently meets or exceeds the standards and provides reports to the state commission, in accordance with the state commission's rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a "best effort" service and are dependent upon a number of variables, many of which are outside the control of the Company.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

The protection of customers' privacy and information is of utmost importance and the Company has a policy and established operating procedures that comply with the FCC's Customer Proprietary Network Information Rules (47 C.F.R. §§64.2001-64.2011). Certification and a description of those operating procedures are filed at the FCC annually.

LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Scott County Telephone Company (the Company) is able to function in emergency situations. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The company is able to reroute traffic around damaged facilities. Although the Company's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's most recent reasonable comparability benchmark for voice services is \$47.48, which includes the federal subscriber line charge ("SLC").¹

In the exchange served by Scott County Telephone Company, the highest single-line residential local rate, including any mandatory extended area service charge, is \$30.00. When the federal SLC and the state universal service fee are added, the total is less than the reasonable comparability benchmark of \$47.48.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Residential customers of Scott County Telephone Company ("the Company") who qualify for the Lifeline Program are entitled to a discount of \$8.25 on local voice telephony service (\$6.50 federal discount + an additional local service reduction of \$1.75).

The Company's Lifeline single-line residential local rate, including any mandatory extended area service charge and the federal subscriber line charge, is \$21.75 (\$30.00 standard rate less the \$8.25 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for local calls.

Toll charges for calls outside of the local calling area are determined by the long distance carrier of the customer's choosing. Customers may also elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as information-related services and custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

ARKANSAS PUBLIC SERVICE COMMISSION

SECTION 1

Original Sheet No. 4

SCOTT COUNTY TELEPHONE COMPANY, LLC

Kind of Service: Telecommunications Class of Service: All

SECTION 1 - Local Exchange Service

PSC File Mark Only

IV. LOCAL EXCHANGE SERVICE RATES AND CHARGES

A. Residence Monthly Local Exchange Access Line Rates (1)(2)

<u>1-Party</u>	<u>Rotary/Multi-line Hunt Service</u>
\$30.00	\$40.00

B. Business Monthly Local Exchange Access Line Rates (1)(3)

<u>1-Party</u>	<u>Semi-Public (1)</u>	<u>Rotary/ Multiline Hunt Service</u>	<u>PBX Trunk</u>
\$33.00	\$49.50	\$40.00	\$40.00

- (1) These rates are uniform throughout all company exchanges.
- (2) Rates for Access Line Service do not include a charge for an instrument or other customer premises equipment.
- (3) Rate shown for Semi-Public Service includes a charge for coin instrument.

Karen Gilliam
General Manager
Scott County Telephone Company, LLC

ARKANSAS PUBLIC SERVICE COMMISSION

SECTION 2

Original Sheet No. 12

SCOTT COUNTY TELEPHONE COMPANY, LLC

Kind of Service: Telecommunications

Class of Service: Residential

SECTION 2 – Service Charges

PSC File Mark Only

VI. LIFELINE ASSISTANCE PROGRAM

A. Applicability

1. Lifeline Assistance Program is a telecommunications service assistance program designed to provide eligible residential customers with a credit to be applied to the price of basic local exchange service. Lifeline Assistance Program provides for a federal credit equal to 100% of the federal Subscriber Line Charge and a \$1.75 local service reduction.
2. Lifeline Assistance Program is limited to one line per household at the customer's primary residence.
3. All charges, either recurring or nonrecurring, for any service or feature other than Lifeline Assistance Program shall be billed at the tariffed rate.
4. Lifeline Assistance Program shall not be available on a retroactive basis.

Karen Gilliam
General Manager
Scott County Telephone Company, LLC

ARKANSAS PUBLIC SERVICE COMMISSION

SECTION 2

Original Sheet No. 13

SCOTT COUNTY TELEPHONE COMPANY, LLC

Kind of Service: Telecommunications

Class of Service: Residential

SECTION 2 – Service Charges

PSC File Mark Only

VI. LIFELINE ASSISTANCE PROGRAM (Continued)

B. Eligibility Requirements

1. Customers or applicants seeking a Lifeline Assistance Program credit must provide documentation to the Company establishing that the customer or applicant is an individual who participates in at least one of the following programs, or whose annual household income is at or below 135% of the Federal Poverty Guidelines:

- a. Medicaid
- b. Food Stamps
- c. Supplemental Security Income
- d. Federal Public Housing Assistance (Section 8)
- e. Low-Income Home Energy Assistance Program
- f. Temporary Assistance to Needy Families
- g. National School Lunch free lunch program.

Karen Gilliam
General Manager
Scott County Telephone Company, LLC

ARKANSAS PUBLIC SERVICE COMMISSION

SECTION 2

Original Sheet No. 14

SCOTT COUNTY TELEPHONE COMPANY, LLC

Kind of Service: Telecommunications

Class of Service: Residential

SECTION 2 – Service Charges

PSC File Mark Only

VI. LIFELINE ASSISTANCE PROGRAM (Continued)

B. Eligibility Requirements (Continued)

2. A customer or applicant's eligibility through participation in any of the above government programs may be certified by the applicable state agency. A customer or applicant claiming eligibility based on income must present documentary evidence of income level. Acceptable documentation of income eligibility includes the prior year's state or federal tax return, current income statement from an employer or paycheck stub, a Social Security statement of benefits, a Veterans Administration statement of benefits, a retirement/pension statement of benefits, an Unemployment/ Workmen's compensation statement of benefits, a divorce decree, child support, or other official document. If the documentation does not cover a full year, such as current pay stubs, three consecutive months of the same documentation from within the same calendar year is required. The customer must certify under penalty of perjury that the information supplied at the time of application for Lifeline service is accurate.
3. Upon receipt of the customer's or applicant's documentation establishing eligibility as stated above, the Company will begin providing the credit.
4. Lifeline Assistance Program customers are required to notify the Company of any change that affects eligibility. Upon request of the Company, Lifeline Assistance Program customers are required to provide documentation for the purpose of verifying their continuing eligibility for the Lifeline Assistance Program credit.
5. The Lifeline Assistance Program credit will be discontinued for customers who no longer meet the eligibility requirements.

Karen Gilliam
General Manager
Scott County Telephone Company, LLC

ARKANSAS PUBLIC SERVICE COMMISSION

SECTION 2

Original Sheet No. 15

SCOTT COUNTY TELEPHONE COMPANY, LLC

Kind of Service: Telecommunications

Class of Service: Residential

SECTION 2 – Service Charges

PSC File Mark Only

VI. LIFELINE ASSISTANCE PROGRAM (Continued)

B. Eligibility Requirements (Continued)

6. In accordance with F.C.C. rules, 47 U.S.C. Part 54, the Company has appropriate procedures in place for:
 - a. Self-certification by the consumer and for the Company to obtain documentation that confirms the consumer's household income and the number of individuals in the household;
 - b. Certification by an officer of the Company that there are income verification procedures in place and that the Company was presented with documentation confirming the customer's eligibility;
 - c. Retaining records;
 - d. Annually verifying eligibility of a statistically valid sample of the Company's Lifeline subscribers.

C. Rates and Charges

1. Monthly Credit (maximum of one line per qualified customer)
 - a. A discount equal to 100 percent of the federal Subscriber Line Charge is applicable to qualified residential customers.
 - b. A reduction of \$1.75 of the Local Service Rate.

Karen Gilliam
General Manager
Scott County Telephone Company, LLC

LINE 3010 – MILESTONE CERTIFICATION

Scott County Telephone Company (the "Company") certifies that the Company has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to reasonably comparable offerings in urban areas, and that requests for such service are met within a reasonable amount of time.

LINE 3012 – COMMUNITY ANCHOR INSTITUTIONS

Scott County Telephone Company did not newly deploy broadband service to any community anchor institutions in the preceding calendar year (2014).

SCOTT COUNTY TELEPHONE COMPANY, L.L.C.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

with

INDEPENDENT AUDITOR'S OPINION

Scott County Telephone Company, L.L.C.
Financial Statements
Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
 Scott County Telephone Company, L.L.C.
 Lake Hinkle, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Scott County Telephone Company, LLC which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

HOOD & ASSOCIATES CPAs, P.C.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scott County Telephone Company, LLC as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Associates, CPAs, P.C.

Hood & Associates, CPAs, P.C.
Certified Public Accountants

Tulsa, Oklahoma
May 15, 2015

Scott County Telephone Company, L.L.C.
Balance Sheets
December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash - General Fund		
Accounts Receivable - Telephone Subscribers (less allowance for doubtful accounts of \$11,244)		
Other Accounts Receivable (<i>Note 2</i>)		
Prepaid Expenses		
Non-current Assets:		
Note receivable - Affiliate (<i>Note 3</i>)		
Accounts Receivable - Officers		
Deferred Loan Costs		
Other Assets		
Property, Plant and Equipment (<i>Note 4</i>):		
Telecommunications Plant in Service		
Less Accumulated Depreciation		
TOTAL ASSETS		

The accompanying notes are an integral part of these financial statements

Scott County Telephone Company, L.L.C.
Balance Sheets
December 31, 2014 and 2013

LIABILITIES AND MEMBERS' EQUITY

	<u>2014</u>	<u>2013</u>
Current Liabilities:		
Accounts Payable		
Current Maturities of Long Term Debt		
Other Accrued Liabilities		
 Long Term Liabilities (Note 6):		
RUS Notes Payable		
Other Long-Term Debt		
 Less Current Maturities		
 Members' Equity:		
Members' Equity		
TOTAL LIABILITIES AND MEMBERS' EQUITY		

The accompanying notes are an integral part of these financial statements

Scott County Telephone Company, L.L.C.
Statements of Income and Members' Equity
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Basic Local Network Service		
Network Access Services		
Long Distance Network Services		
Miscellaneous		
Operating Expenses:		
Plant Specific Operations		
Plant Non-specific Operations		
Depreciation and amortization		
Customer Operations		
Corporate Operations		
Operating Taxes:		
Other Operating Taxes		
Operating Income		
Fixed Charges:		
Interest on Long Term Debt		
Non-regulated Income (Expense):		
Interest and Dividend Income		
Non-regulated Income (Loss) (Net)		
Net Income		
Members' Equity, beginning of year		
Members' Equity, end of year		

The accompanying notes are an integral part of these financial statements

Scott County Telephone Company, L.L.C.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash Received from Customers		
Interest and Dividends Received		
Cash Paid to Suppliers and Employees		
Interest Paid		
Net Cash Provided by (Used in) Operating Activities		
Cash Flows from Investing Activities		
Cash Flows from Financing Activities		
Principal Payments on Long-term Debt		
Net Cash Provided by (Used In) Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning Of Year		
Cash and Cash Equivalents at End Of Year		

Scott County Telephone Company, L.L.C.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Net Income to		
Cash Provided By (Used In) Operating Activities		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation		
Amortization of debt issue costs		
(Increase) decrease in accounts receivable		
(Increase) decrease in prepaid assets		
Increase (decrease) in accounts payable		
Increase (decrease) in other accrued liabilities		
Total Adjustments		
Net Cash Provided by (Used in) Operating Activities		



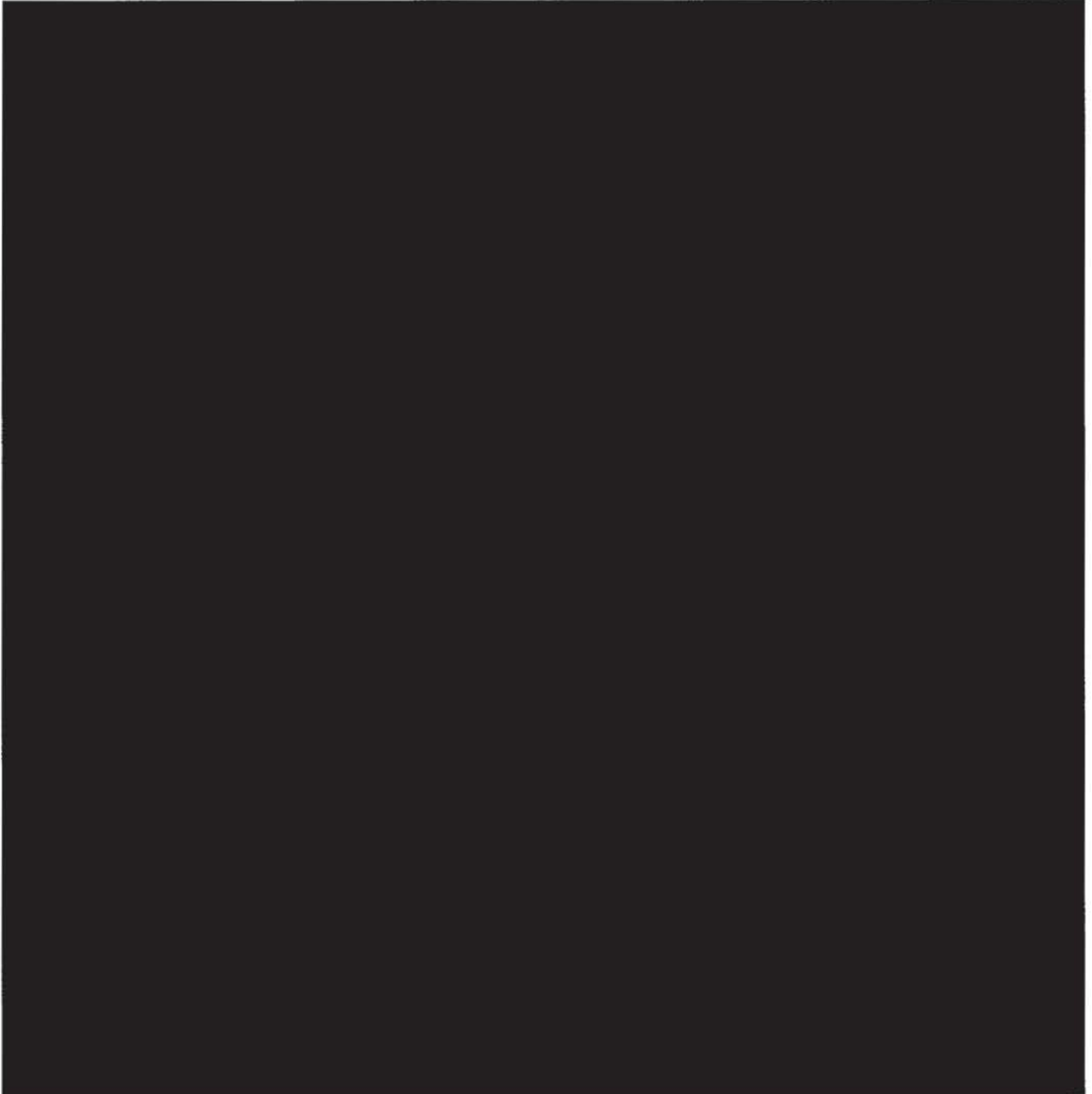
SCOTT COUNTY TELEPHONE COMPANY, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies



SCOTT COUNTY TELEPHONE COMPANY, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies (continued)



SCOTT COUNTY TELEPHONE COMPANY, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies (continued)



SCOTT COUNTY TELEPHONE COMPANY, L.L.C.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 1 – Summary of Significant Accounting Policies (continued)

